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FISCAL IMPACT STATEMENT

LS 7161

BILL NUMBER: SB 480

NOTE PREPARED: Jan 7, 2013

BILL AMENDED:

SUBJECT: Substitute Natural Gas Contract.

FIRST AUTHOR: Sen. Taylor

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill repeals IC 4-4-11.6 concerning substitute natural gas contracts. It makes conforming amendments.

Effective Date: Upon passage.

Explanation of State Expenditures: The Indiana Finance Authority (IFA) has already entered into a purchase contract under IC 4-4-11.6. Repealing IC 4-4-11.6 would void that contract. If a party challenges the enactment of this bill, it would result in cost related to court actions. The fiscal impact from this is contingent upon the administrative decisions by the parties to the contract and any ruling by a court.

Background: I.C 4-4-11.6 permitted the IFA to enter into contracts for the purchase and sale of substitute natural gas (SNG) from coal gasification facilities to regulated energy utilities for delivery to retail end use customers. It required that before July 1, 2009, the facility must apply for a federal loan guarantee through the U.S. Department of Energy's Loan Guarantee Program Office for the financing of the facility. It also required the IFA to establish the SNG Account . The SNG Account consists of payment made by retail end-use customers to the IFA through regulated energy utilities for costs associated with the purchase and delivery of SNG.

The IFA entered into a 30-year contract with Indiana Gasification, LLC, a subsidiary of Leucadia National Corporation, to purchase 38 million MMBtus of SNG. The contract was approved by Indiana Utility Regulatory Commission (IURC) in November, 2011. The natural gas marketplace has experienced changes in the pricing on the SNG since the inception of this project. This led to disagreements between various parties

impacted by this contract, on the fiscal impact from the contract. Indiana Gas Company, Inc. and Southern Indiana Gas and Electric Company, et. al. filed a lawsuit against the two parties to the contract. On October 30th 2012, the Indiana Court of Appeals reversed the IURC's order approving the SNG purchase and sale agreement between IFA and Indiana Gasification, LLC. The impact from this ruling is currently unknown and contingent upon further actions taken by the parties involved in the lawsuit.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IFA; OUCC; IURC.

Local Agencies Affected:

Information Sources: <http://www.in.gov/ifa/2695.htm>, Indiana Finance Authority.

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